

STEVENS COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. Internal Controls Should Be Strengthened At The County Landfill

During our audit of the county landfill, we noted several internal control weaknesses. This landfill collects in excess of \$900,000 a year. The weaknesses include:

- a. The solid waste technician performs incompatible duties. This includes collecting money, accounting for collections, posting to subsidiary accounts, and making deposits.
- b. Landfill receipts do not indicate mode of payment (cash or check).
- c. The solid waste technician performs reconciliations of her own work.
- d. The solid waste technician makes all adjustments to the accounts receivable.
- e. The landfill utilizes generic (Redi-form) receipts.

A basic premise of strong internal accounting controls is to separate the accounting for cash from the cash handling function.

Weak internal controls increase the likelihood of theft.

This situation exists because the county has not implemented strong internal controls over cash handling.

We recommend that the county strengthen internal controls at the landfill by:

- a. Segregating cash handling from accounting for cash.
- b. Noting mode of payment on each receipt (invoice) to provide an audit trail.
- c. Having someone other than the cashier reconcile daily receipts to bank deposits.
- d. Having a supervisor authorize adjustments to receivables.
- e. Using only preprinted, prenumbered official county receipts.

2. The County Should Establish A System Of Internal Controls To Ensure The Proper Operation Of The County Fair

Our audit, in conjunction with work performed by the county auditor's office, identified the following internal control weaknesses:

- a. There was no systematic procedure to account for revenues. Moneys collected by gate keepers or from advance ticket sales by merchants were neither receipted nor logged in.
- b. Cash receipts from ticket sales were deposited in the county fair revolving fund instead of with the county treasurer.
- c. Reimbursements to the revolving fund were not deposited intact. Employees cashed the revolving fund reimbursement warrant and reimbursed themselves for out-of-pocket expenses. The receipts for these expenses were included in the revolving fund reimbursement request.
- d. Large expenditures were made from the revolving fund.
- e. The county fair revolving fund was not closed out at the end of the fair.
- f. The unauthorized checking account was opened for premium and prize money. This checking account has a balance comprised of outstanding checks which needs to be escheated to the State Treasurer.

The *Budgeting, Accounting and Reporting System (BARS)* manual, Vol. 1, Part 3, Chapter 12, pages 7 and 8, states in part:

The Attorney General has stated that all funds received by county fair operations, such as allocated parimutuel funds, donations, and proceeds from the operation of the fair, must be properly deposited in the county treasury under the provisions of RCW 36.29.010 and RCW 36.29.020.

... The purpose of the revolving fund is to allow for immediate payment of premiums, casual labor and the many other items needed during the period the fair is being conducted without going through the formality of warrant issue.

At the end of the fair period, or within sixty days thereafter, the revolving fund for fair operations shall be closed and the authorized amount shall be remitted to the county treasurer

Additionally, all county moneys should be held by the county treasurer except those moneys authorized by resolution to be in petty cash funds.

As a consequence of the above actions, the revenues and expenditures of the county fair were not properly recorded. In addition, sufficient records do not exist to ensure that all the revenues were deposited.

The issuance of large checks from the revolving fund circumvents the county's procedure for issuing federal 1099s.

The establishment of an unauthorized checking account circumvents the authority of the governing body and is in violation of the state constitution.

These problems were caused by a lack of internal accounting and administrative controls.

We recommend the county develop and implement a system of internal accounting and administrative controls to provide reasonable assurance that the assets of the county fair are safeguarded. We further recommend that fair personnel become knowledgeable of the internal controls in place and their responsibility to implement those controls. We also recommend the remaining balance in the unauthorized checking account, which is comprised of outstanding checks, be escheated to the State Treasurer.

3. Internal Controls Should Be Improved At District Court

During our audit of District Court, we noted the following internal control weaknesses:

- a. Cashiers perform incompatible duties. They receipt cash and post adjustments to daily receipt and accounts receivable files in the District Court Information System (DISCIS). This includes the ability to adjust and write off receivables entirely without supervisor's approval.
- b. The DISCIS system is capable of producing "Audit Reports" which provide information on adjustments to receivables and other transactions. These reports are not being run.
- c. The court clerk performs incompatible duties. She is sometimes instructed by the judge to annotate the judge's findings on citations and case documentation. She also posts this information into the DISCIS system. Because she also functions as a regular cashier, she can make adjustments to daily receipt and system receivable files.

When the duties for cash receipting and posting adjustments to receivables are not separate, cashiers are not accountable to the court for any particular amount received on a defendant's account.

This situation exists because the county has not implemented strong internal controls over cash handling at District Court.

We recommend that internal controls over cash receipting and posting adjustments to receivables be strengthened. We further recommend the court administrator print and review daily exception "Audit Reports" and retain these as evidence of the review.